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Making your internal audit work for you

Northampton Borough Council

March 2017

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Where are you?

- 2016-2020 Corporate Plan is strategically ambitious, focusing on some big projects including
 - Northampton Alive/Enterprise Zone development
 - Supporting the development of the University of Northampton and its purpose built city campus
 - Cultural redevelopment in the Borough including the Vulcan Works and Delapre Abbey
 - New housing developments, including the development of your own housing stock through Northampton Partnership Homes
 - Focusing on the health and wellbeing of the community including the Environmental Services waste contract
- You have a strong financial position - £0.8m forecast underspend in the year and usable reserves of £66.9m. 2017/18 - breakeven budget.
- You have a new leader and chair of audit committee. This provides an opportunity for a renewed focus on your governance
- The nature of the relationship with LGSS is changing - some services are back in house with an evaluation of the remaining services planned

However....

- There are future financial constraints with a requirement to make savings of £3.8m in 2018/19, rising to £5.4m in 2021/22
- The Council is under scrutiny, following recent transactions and this is likely to continue for a substantial period of time
- The introduction of the governance action plan will require substantial investment from officers to embed and implement over a period of time

Conclusion

- There is a lot of ongoing change across a wide range of areas, including governance, people and structures
- It will be important to stay on top of the basics as well as demonstrating improvements and implementation of the governance action plan
- Internal audit needs to rise to this challenge too.

Where are we?

- We have been working with you for over ten years
- Formation of the LGSS Partnership changed the nature of our relationship
- We currently have a contract until 31 March 2017, based on an extension of the April 2013 contract
- Our recent additional input has included:
 - Secondment support
 - Project assurance
 - NTFC review
 - Building a relationship with the politicians
- This kind of support is consistent with the relationship and services we provide as internal auditors elsewhere
- There has not been the opportunity to work with NBC in this way in the past



Plan development

To inform the development of our 2017/18 internal audit plan we have held a number of discussions with members and senior officers, including:



Leader of the Council

Audit Committee Chair

Chief Executive

Monitoring Officer

Section 151 Officer

Management Board

LGSS Strategic Finance Manager

External Audit

Plan development

Following our discussions with Members and Senior Officers we have developed a very different style of internal audit plan, focused on providing assurance aligned to the Governance Action Plan. Given the Council's focus on reviewing basic processes and ensuring the whole Council has in place a robust system of governance and controls we have increased the scope of our internal audit programme to incorporate supporting the Council with its project assurance and decision assurance. This will provide Officers and Members with additional assurance around the processes involved with key decisions and activities undertaken during this period of substantial change.

Following our discussions with Members and Senior Officers we have increased the scope of our internal audit programme and developed a very different style of internal audit plan. The audit plan is designed to:

- focus on providing assurance aligned to the Governance Action Plan;
- incorporate supporting the Council with its project assurance and decision assurance given the Council's focus on reviewing basic processes and ensuring the whole Council has in place a robust system of governance and controls; and
- provide Officers and Members with additional assurance around the processes involved with key decisions and activities undertaken during this period of substantial change.

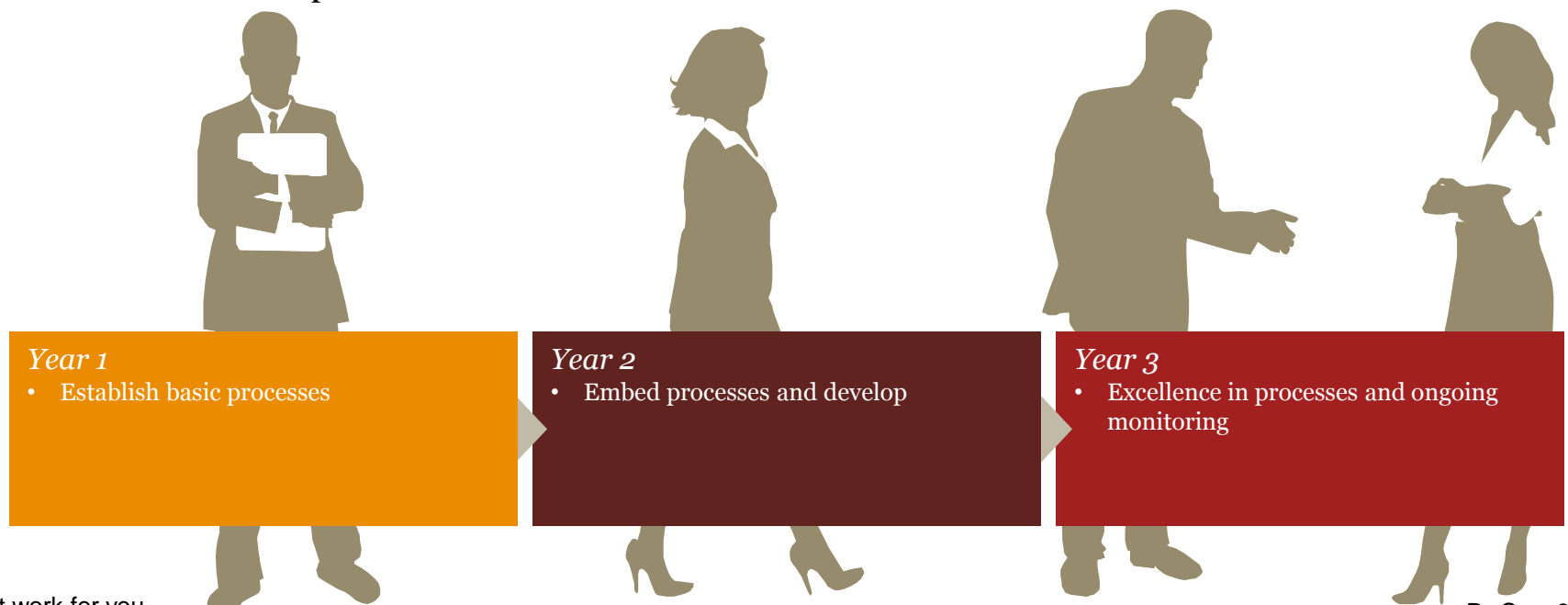
What do we think you need?

The following slides will take you through the specific areas of focus we consider to be important for the 2017/18 Internal Audit Plan, including:

1. Governance action plan assurance

- **Risk management** – ensuring this is fully implemented and joined up, supporting your new member of staff
- **Project assurance** – assurance on new arrangements and specific high profile projects
- **Decision assurance** – giving the Council assurance that its decision making is robust, from start to finish
- **Organisational change** – reintroduction of HR and legal services
- **Financial governance** – continuous assurance
- **Tracking recommendations and follow up**

2. Culture

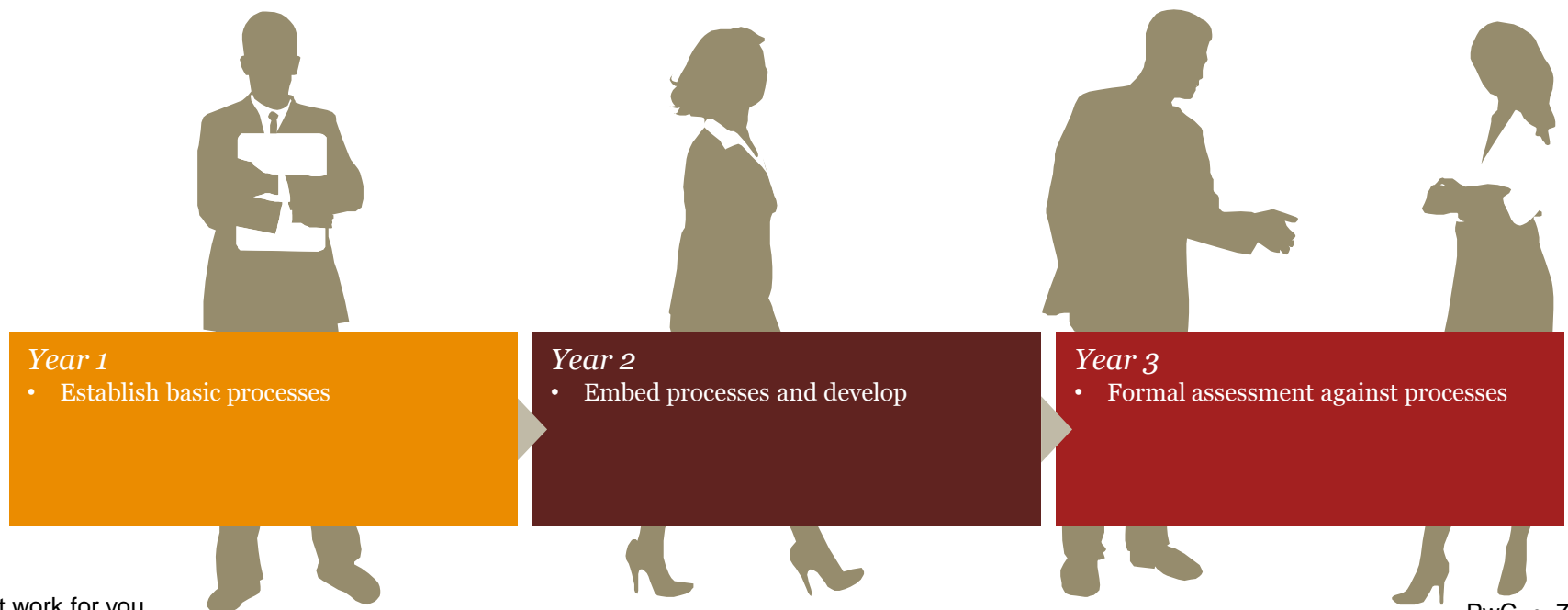


Governance action plan – risk management

It is still early days in terms of the risk management of strategic level risks

We suggest:

- We will fulfil a critical friend role in supporting you to establish arrangements
- We will support the Executive Board in aligning its strategy and risks
- Support your new member of staff – ensuring the top and bottom and appropriately aligned
- Once fully established, we will assure the arrangements and undertake a formal assessment

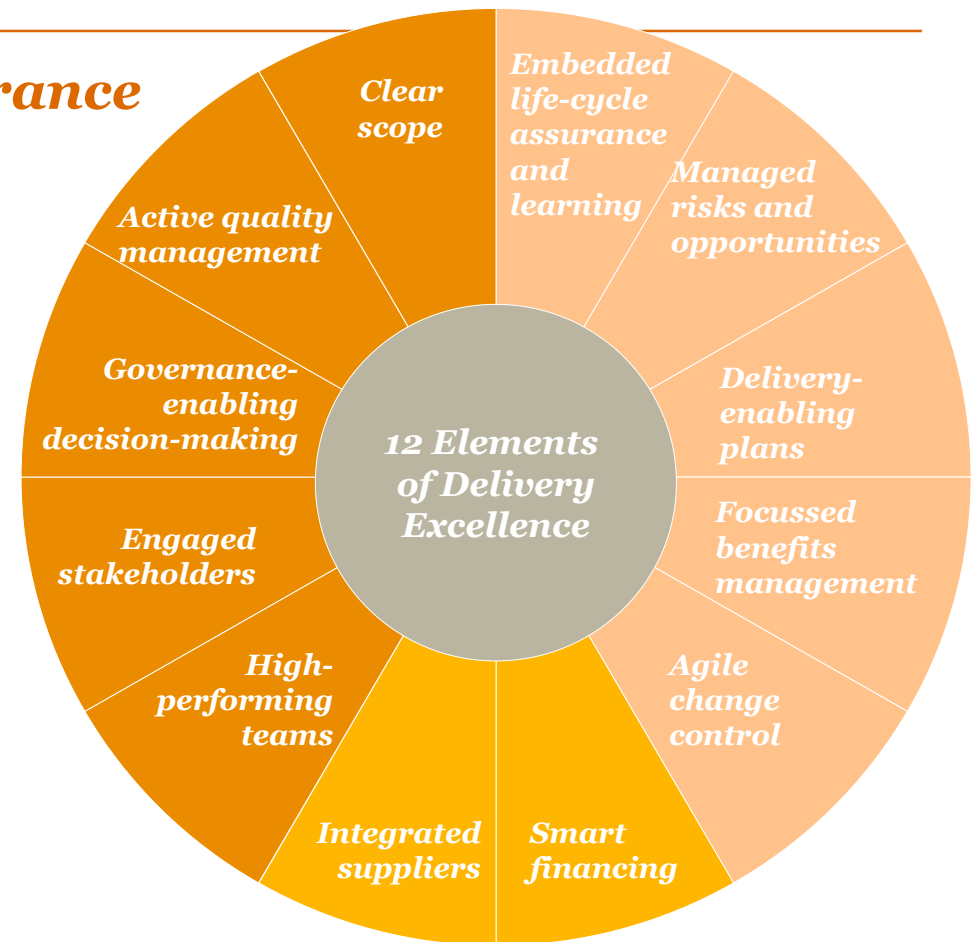


Governance action plan – project assurance

As the Council undertakes a number of new, unfamiliar, and large scale projects it will be essential to make sure the projects are effectively managed

We suggest

- Supporting you in establishing and implementing improved governance structures
- Providing you with assurance over the portfolio of projects and operations
- Providing specific targeted support and assurance on significant projects, including
 - Environmental services
 - Vulcan works
 - Museum redevelopment

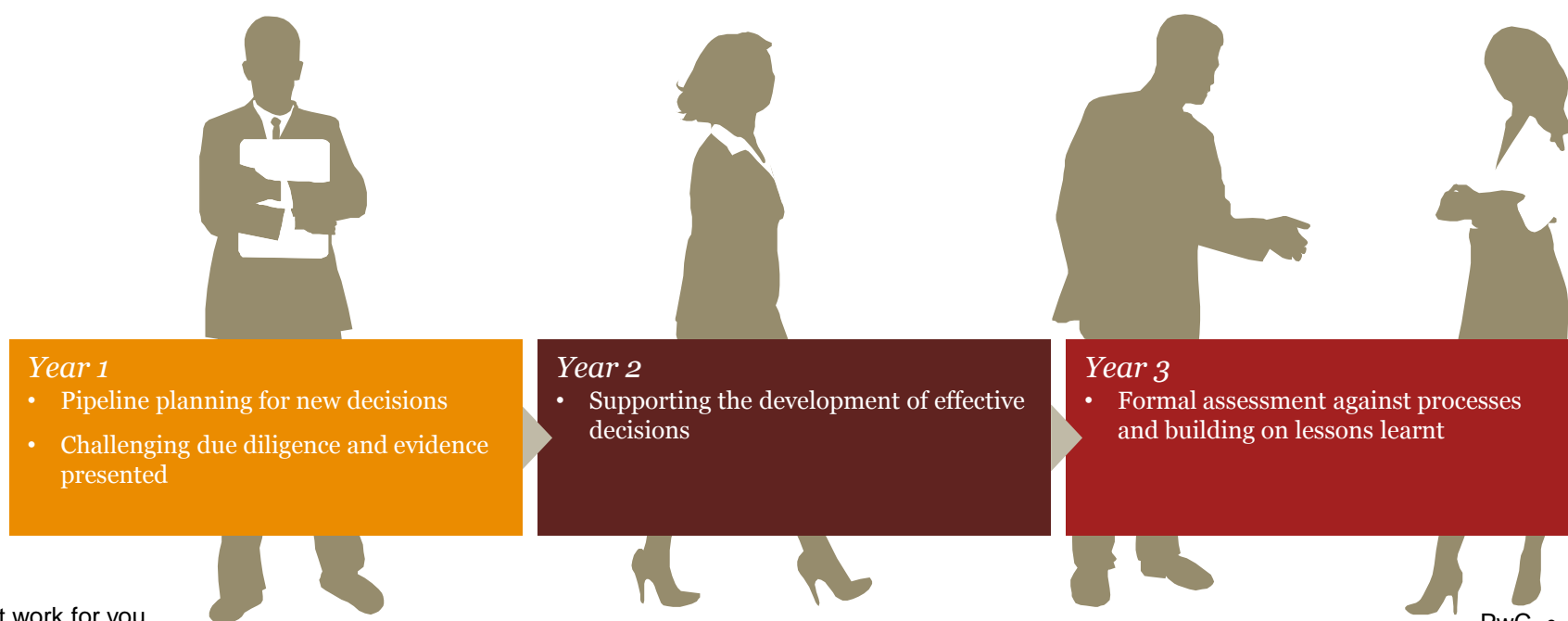


Governance action plan – decision assurance

As the Council undertakes a number of high profile, complex decisions it will be essential to make ensure that the decisions are adequately presented and all relevant information made available

We suggest

- Involvement in new arrangements and pipeline planning
- Evaluating the due diligence performed and evidence presented on key decisions - challenging on gaps in information
- Supporting the Council in making effective decisions
- Generating lessons learned for future decisions

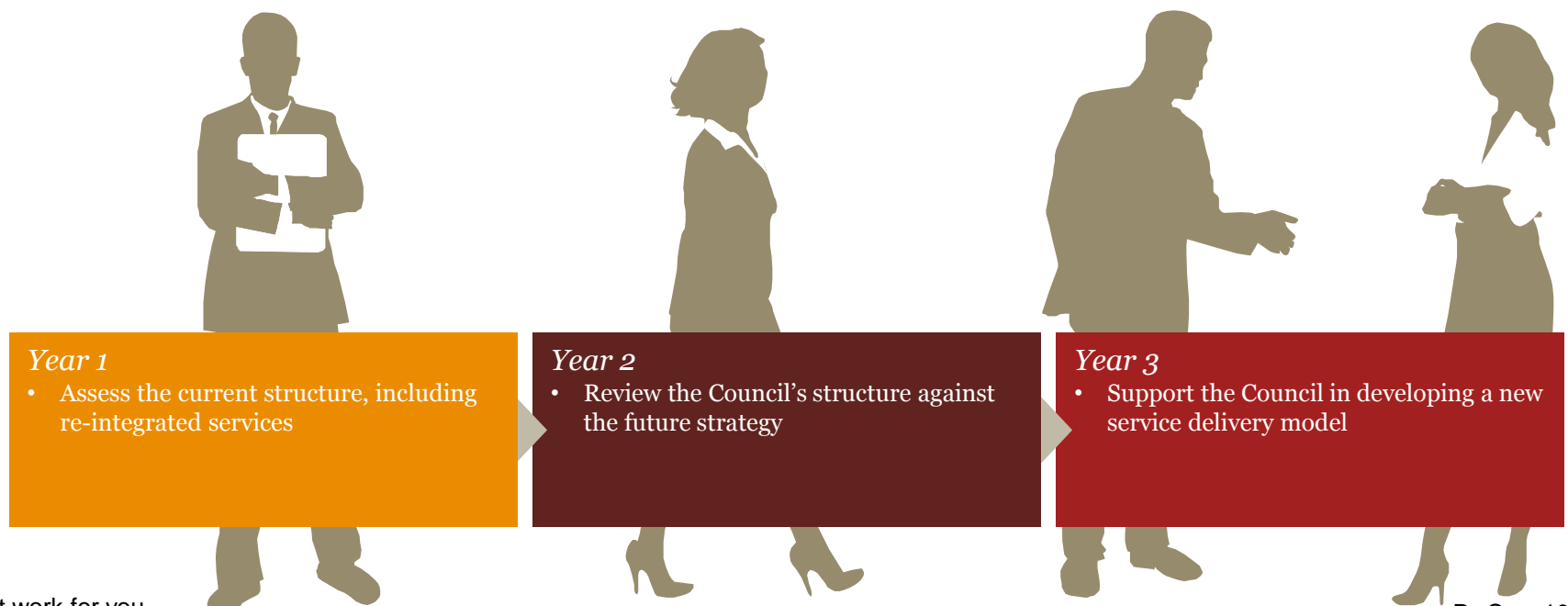


Governance action plan – organisational change

The Council is undergoing significant organisational change arising from the changing nature of the relationship with local partners, including LGSS and NPH

We suggest

- Understanding the current service provided and assessing whether this is appropriate
- Assess the re-integration of services, including HR and legal, and understand how these align with future plans and the Council's strategy
- Reviewing the Council's vision and strategy and ensuring this aligns with the current Council structure
- Acting as a critical friend in supporting the Council in developing plans for a new method of service delivery and identifying the required skills

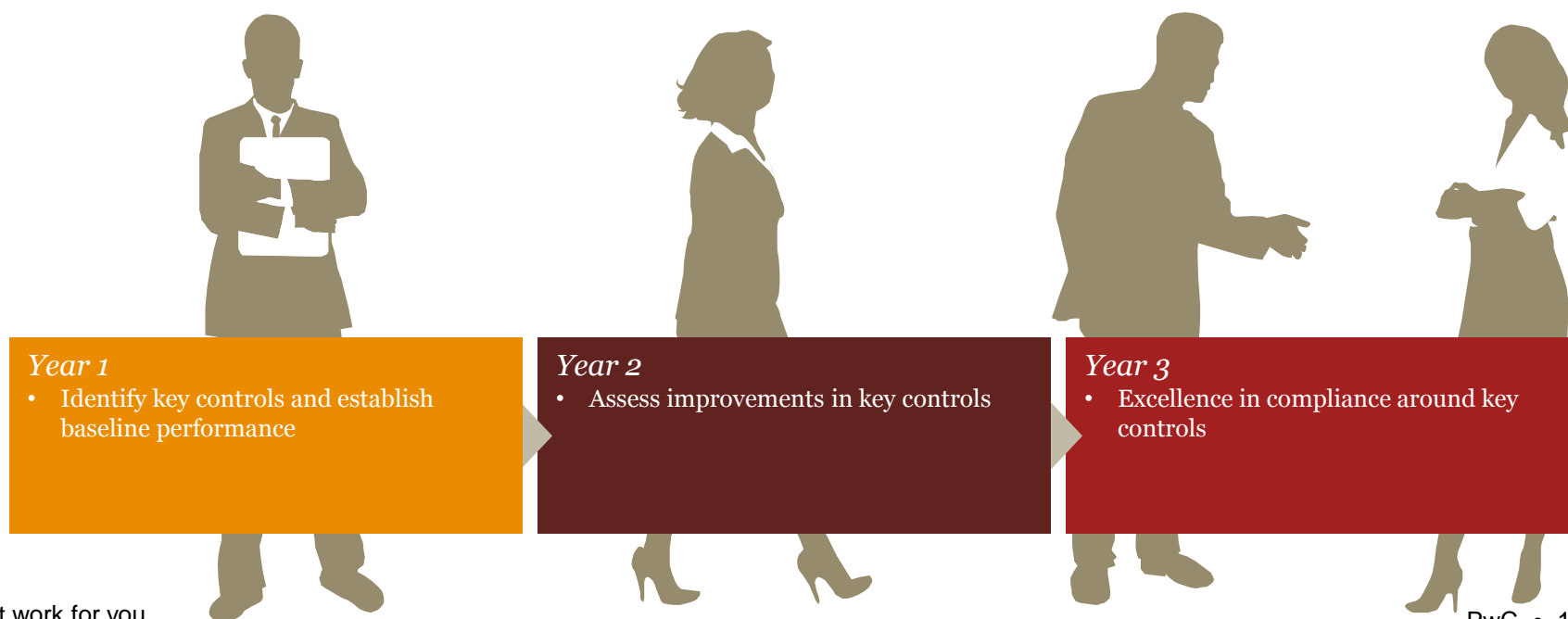


Governance action plan – financial governance

During this period of substantial change and focus on large scale, significant projects it is essential to make sure basic controls are in place and operating effectively as a solid foundation to the Council's development plans

We suggest

- Continuous auditing
 - Workshop to agree key controls
 - Write up programme of regular testing
 - Execute
 - Report and refine
- Budgetary control, purchase to pay, procurement



Governance action plan – tracking recommendations and follow up

The Council has committed to addressing a number of identified issues in response to previous internal audit recommendations, governance action plan and the external audit ISA260. It is important to ensure these are addressed to improve the Council's performance going forward

We suggest

- Baseline recommendations and purging
- Establish a reporting routine
- Reporting on completion and exceptions
- Checking implementation and removing addressed actions



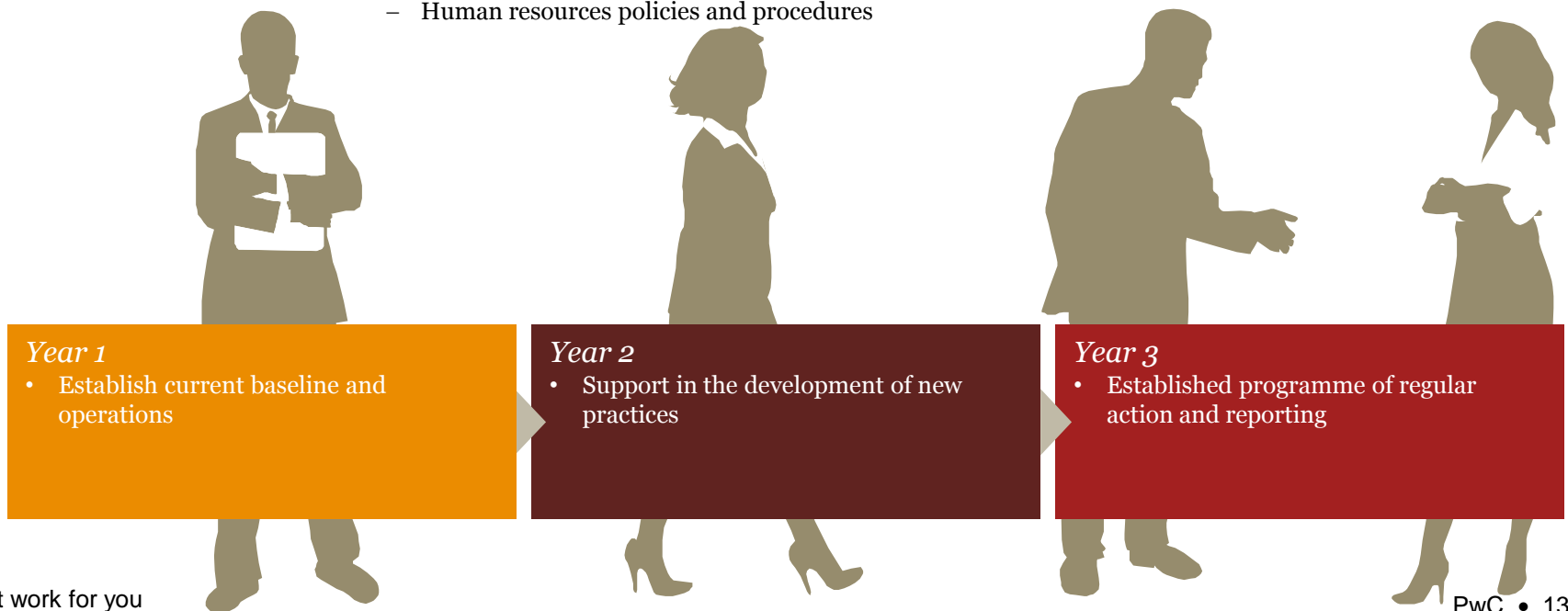
Culture

During this period of change, it is important for the Council officers and members to understand their role and support in the establishment of a changed Council

We suggest

Reviewing the current control environment, focusing on:

- Integrity and ethical values
- Commitment to competence
- Audit Committee
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- Human resources policies and procedures



Progress update

- After the Management Board meeting on 16 February 2017 Officers are determining the best way to contract these services and we are in the process of agreeing the cost to provide these internal audit services.
- We will prepare our detailed audit plan with officers following this, and we will bring it then in draft to the audit committee for discussion and comment.
- We would welcome members' questions and comments on the approach.

This is a proposal document and does not constitute a contract of engagement with PricewaterhouseCoopers LLP. The information set out in it is an indication of the terms on which we propose to carry out our internal audit service for you but the proposal is subject to the terms of any subsequent engagement contract that may be entered in to between us. In the event that our proposal to you is successful, our acceptance of the engagement will be contingent upon the completion of all our internal engagement acceptance procedures.

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